

**CHARTER TOWNSHIP
OF
ROYAL OAK**

ANNUAL REPORT

DECEMBER 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Royal Oak	County Oakland
Audit Date 12/31/04	Opinion Date 6/30/05	Date Accountant Report Submitted to State: 9/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) R C Jones & Co.			
Street Address 20500 Eureka Rd Ste 101	City Taylor	State MI	ZIP 48180
Accountant Signature <i>Richard C Jones CPA</i>			Date 9/29/05

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Independent Auditor's Report

To the Charter Township Board
Charter Township of Royal Oak
21131 Gardenlane, 2nd Floor
Ferndale, MI 48220

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Royal Oak as of and for the year then ended December 31, 2004 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audits Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Royal Oak as of December 31, 2004 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted accounting in the United States of America.

The administration's discussion and analysis and budgetary comparison information on page 2 through 10 and pages 33 through 49 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Royal Oak's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in the relation to the basic financial statements taken as a whole.

R C Jones & Co.

June 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Royal Oak's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's net assets increased by \$2,645,568. The governmental net assets increased by \$2,581,737 and the business-type net assets increased by \$63,831.
- Of the \$2,054,037 reported in net assets, \$1,251,763 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- At the end of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$1,731,708, an increase of \$1,725,593 from the previous year. Of this fund balance, approximately 100% is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved undesignated fund balance for the General Fund was \$1,049,179.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the financial statements.

The financial statement's focus is on both the Township as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interperiod or intergovernmental) and enhance the Township's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances. The Statement of Net Assets and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the Township, as a whole, better off or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The focus of the Statement of Net Assets is designed to be similar to the bottom line results for the Township and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the Township's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may indicate whether the Township's financial position is improving or deteriorating. However, in order to assess the overall health of the Township, non-financial factors such as the Township's property tax base and condition of the Township's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component unit) which are supported by the Township's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. This statement shows how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report two activities:

1. *Governmental Activities:* Most of the Township's basic services (i.e., police, fire, public works, parks, etc) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Township's governmental activities include general government, police, fire, building and safety, public works, recreation and culture, library, community enrichment and development, road maintenance and repair and tax refund.
2. *Business-Type Activities:* The Township charges fees to customers to help cover all or most of the cost of certain services it provides. The Township operates one business-type activity that reflects private sector type operations: Water and Sewer service.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the Township's most significant funds (Major Funds), not the Township as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to maintain control over resources that have been segregated for specific activities or objectives. In addition to major funds, the Township presents individual fund data for non-major funds in the supplementary information section. All of the funds of the Township can be divided in three categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and use of available resources. This is the manner in which the budget is typically developed. The Township establishes Funds for various purposes, and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental Funds include the General Fund, special revenue funds, capital project funds, and debt service funds.

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the Township's near-term financing decision by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. Both the governmental funds' Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison.

Proprietary funds are used to account for services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The Township maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its Water and Sewer service.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the Township, these assets are restricted in purpose and do not represent discretionary assets of the Township. Therefore, these assets are not reflected in the government-wide financial statements. The Township acts as a trustee or fiduciary for its employee deferred compensation plan. It is a trustee/agent for the other governmental units for which it collects tax payments. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These funds are reported using accrual accounting.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

NON-MAJOR GOVERNMENTAL FUNDS

Following the required supplementary information is combining financial statements for non-major governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Township's case, assets exceeded its liabilities at the end of the fiscal year by \$2,054,037. However, \$256,227 or 12.47.% of the Township's net assets represents its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The Township uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities

TOWNSHIP OF ROYAL OAK'S NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 3,841,196	\$ 546,047	\$ 4,387,243
Capital Assets, Net of Accumulated Depreciation	<u>1,678,354</u>		<u>1,678,354</u>
Total Assets	5,519,550	<u>546,047</u>	6,065,597
Current Liabilities	2,662,209		2,662,209
Long-term Liabilities	<u>1,349,351</u>		<u>1,349,351</u>
Total Liabilities	4,011,560	<u> </u>	4,011,560
Net Assets:			
Invested in Capital, Net of Related Debt	256,227		256,227
Restricted		546,047	546,047
Unrestricted	<u>1,251,763</u>	<u> </u>	<u>1,251,763</u>
Total Net Assets	<u>\$ 1,507,990</u>	<u>\$ 546,047</u>	<u>\$ 2,054,597</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Except for the \$256,227 invested in capital assets and the \$546,047 restricted, the Township may use the remaining balance of unrestricted net assets of \$1,251,763 to meet its ongoing obligations to citizens and creditors.

Further, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

TOWNSHIP OF ROYAL OAK'S CHANGE IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 55,166	\$ 1,469,665	\$ 1,524,831
Operating Grants	74,629		74,629
General Revenues:			2,531,932
Taxes and Special Assessments	2,531,932		693,905
State Shared	693,905		659,150
Assumption of Debt	659,150		2,035,695
Other	2,035,695		4,662
	<u>4,662</u>		<u>4,662</u>
Investment Earnings	6,055,139	1,469,665	7,524,804
Total Revenues			
Expenses:			
General Government	943,886		943,886
Police	989,826		989,826
Fire	515,017		515,017
Building and Safety	17,389		17,389
Public Works	261,894		261,894
Recreation and Culture	314,942		314,942
Community Development	150,716		150,716
Interest on Long-Term Debt	184,151		184,151
Depreciation	95,581		95,581
Water and Sewer		<u>1,405,834</u>	<u>1,405,834</u>
Total Expenses	3,473,402	1,405,834	4,879,236
Increase in Net Assets	2,581,737	63,831	2,645,568
Net Assets, July 1, 2003	<u>(1,073,747)</u>	<u>482,216</u>	<u>(591,531)</u>
Net Assets, June 30, 2004	<u>\$1,507,990</u>	<u>\$546,047</u>	<u>\$2,054,037</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Activities:

Governmental activities increased the Township's net assets by \$2,581,737, thereby accounting for 97.6% of the total growth in the net assets of the Township. Key factors of this increase are as follows:

- Oak Park's assumption of debt due to the annexation totaling \$659,150.
- Pension refund amounting to approximately \$1,700,000.

Business-Type Activities:

Business-type activities increased the Township's net assets by \$63,831, accounting for the remaining 2.4% of the total growth in the Township's net assets.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds reported combined fund balances of \$1,731,708.

Of this total amount, \$1,731,708 (100%) was unreserved fund balance, which is available for appropriations for the general purpose of the funds.

General Fund:

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the unreserved fund balance was \$1,049,179. Total fund balance increased by \$249,996 during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The Township investment in capital assets for its governmental activities as of June 30, 2004 amounts to \$1,678,354 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total decrease in the Township's net investment in capital assets for the current fiscal year was \$53,732.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

NET CAPITAL ASSETS AT YEAR END
(in thousands of dollars)

	Governmental <u>2003</u>	Activities <u>2004</u>
Capital assets not depreciated:		
Land	\$ 240,000	\$ 240,000
Unallocated	982	982
Capital assets being depreciated:		
Computers	25,020	24,054
Equipment	382	1,167
Infrastructure	1,343,251	1,272,901
Landscaping Equipment	350	175
Office Furniture	101	1,647
Vehicles	<u>122,000</u>	<u>137,429</u>
Net Capital Assets	<u>\$ 1,732,086</u>	<u>\$ 1,678,354</u>

Long-Term Debt:

At the end of the fiscal year, the Township had total long-term bonds and notes outstanding of \$1,887,997.

OUTSTANDING DEBT AT YEAR END

	Governmental <u>Activities</u>
General Obligation Bonds (Backed by the Township)	\$ 1,422,127
Judgments Payable	378,916
Notes Payable	<u>86,955</u>
	<u>\$1,887,997</u>

State statutes limit the amount of general obligation debt the Township can issue to 10% of its total state equalized assessed value of property. The Township's total general obligation debt (\$1,887,997) is significantly lower than the current state-imposed limit.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to the following:

Charter Township of Royal Oak
21131 Gardenlane, 2nd Floor
Ferndale, MI 48220

CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF NET ASSETS
December 31, 2004

		Primary Government		
		Governmental Activities	Business-Type Activities	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$	1,763,014	\$ -	\$ 1,763,014
Accounts Receivable		151,332	546,047	697,379
Taxes Receivable		1,925,906	-	1,925,906
Inventories				-
Prepaid Expenditures		944		944
Total Current Assets		<u>3,841,196</u>	<u>546,047</u>	<u>4,387,243</u>
Noncurrent Assets				
Capital Assets		4,615,395	-	4,615,395
Less Accumulated Depreciation		(2,937,041)		(2,937,041)
Total Noncurrent Assets		<u>1,678,354</u>	<u>-</u>	<u>1,678,354</u>
Total Assets	\$	<u>\$ 5,519,550</u>	<u>\$ 546,047</u>	<u>\$ 6,065,597</u>
LIABILITIES				
Current Liabilities				
Accounts Payables	\$	141,482	\$ -	\$ 141,482
Due Other Units		42,100		42,100
Note Payable		86,955		86,955
Judgements Payable		378,915		378,915
Accrued Interest		14,075		14,075
Deferred Revenue		1,925,906		1,925,906
Bonds Payable, Due within One Year		72,776		72,776
Compensated Absences		-		-
Total Current Liabilities		<u>2,662,209</u>	<u>-</u>	<u>2,662,209</u>
Noncurrent Liabilities				
Bonds Payable		1,349,351	-	1,349,351
Compensated Absences		-		-
Total Noncurrent Liabilities		<u>1,349,351</u>	<u>-</u>	<u>1,349,351</u>
Total Liabilities		<u>4,011,560</u>	<u>-</u>	<u>4,011,560</u>
Net Assets				
Investment in Capital Assets		256,227	-	256,227
Restricted			546,047	546,047
Unrestricted		1,251,763		1,251,763
Total Net Assets		<u>1,507,990</u>	<u>546,047</u>	<u>2,054,037</u>
Total Liabilities and Net Assets	\$	<u>\$ 5,519,550</u>	<u>\$ 546,047</u>	<u>\$ 6,065,597</u>

See accompanying notes and accountant's report

CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF ACTIVITIES
December 31, 2004

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenues and Changes in Net Assets
Governmental Activities				
General Governmental	\$ 943,886	\$ -	\$ -	\$ (943,886)
Police	989,826	41,945		(947,881)
Fire	515,017			(515,017)
Building and Safety	17,389			(17,389)
Public Works	261,894			(261,894)
Recreation and Culture	314,942	13,221	4,752	(296,969)
Community Development	150,716		69,877	(80,839)
Interest on Long-Term Debt	184,151			(184,151)
Depreciation	95,581			(95,581)
	<u>3,473,402</u>	<u>55,166</u>	<u>74,629</u>	<u>(3,343,607)</u>
Business-Type Activities				
Water and Sewer	1,405,834	1,469,665	-	63,831
Total Primary Government	<u>\$ 4,879,236</u>	<u>\$ 1,524,831</u>	<u>\$ 74,629</u>	<u>\$ (3,279,776)</u>

Taxes

Property Taxes, Levied for General Operations	2,263,237
Property Taxes, Levied for Debt Service	268,695
State Shared	693,905
Interest and Investment Earnings	4,662
Other	2,035,695
Assumption of Debt in Annexation	659,150
Total General Revenues	<u>5,925,344</u>

Change in Net Assets	2,645,568
Net Assets Beginning of Year	(591,531)
Net Assets End of Year	<u>\$ 2,054,037</u>

See accompanying notes and accountant's report

CHARTER TOWNSHIP OF ROYAL OAK
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

	General	Police	Fire	Debt Service Jacoboni	DDA	Other Nonmajor Governmental Funds	Totals
ASSETS							
Cash and Cash Equivalents	\$ 1,321,775	\$ 97,117	\$ 24,645	\$ -	\$ 168,245	\$ 151,232	\$ 1,763,014
Accounts Receivable	149,165	2,167	-	-	-	-	151,332
Due from Other Funds		45,729	50,258		69,630	168,146	333,763
Taxes Receivable	226,856	597,360	512,023	188,569	76,034	325,064	1,925,906
Inventories							
Prepaid Expenditures							
Total Assets	\$ 1,697,796	\$ 742,373	\$ 586,926	\$ 188,569	\$ 944	\$ 644,442	\$ 4,174,959
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payables	\$ 48,897	\$ 64,798	\$ 5,222	\$ -	\$ 2,853	\$ 19,711	\$ 141,481
Accrued Interest							
Deferred Revenue	226,856	597,360	512,023	188,569	76,034	325,064	1,925,906
Due to Other Funds	372,864					3,000	375,864
Total Liabilities	648,617	662,158	517,245	188,569	78,887	347,775	2,443,251
Fund Balance							
Reserved Debt Service							
Unreserved and Undesignated	1,049,179	80,215	69,681	-	235,966	296,667	1,731,708
Total Fund Balance	1,049,179	80,215	69,681	-	235,966	296,667	1,731,708
Total Liabilities and Fund Balance	\$ 1,697,796	\$ 742,373	\$ 586,926	\$ 188,569	\$ 314,853	\$ 644,442	\$ 4,174,959
Total Governmental Fund Balances							\$ 1,731,708

Amounts reported for Governmental Activities in the Statement of Net Assets are different because capital assets used in Governmental Activities are not financial resources, and are not reported in the funds

Cost of Capital Assets

Accumulated Depreciation

\$ 4,615,395
(2,937,041)

Long-Term Liabilities are not due and payable in the current period and are reported in the fund

Oakland County Drain

Judgements Payable

Notes Payable

Accrued Interest

Net Assets of Governmental Activities

1,678,354

(1,422,127)

(378,915)

(86,955)

(14,075)

\$ 1,507,990

See accompanying notes and accountants report

CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
December 31, 2004

	General	Public Safety	Fire	Debt Service Jacoboni	DDA	Other Nonmajor Governmental Funds	Totals
Revenues							
Local Sources	\$ 585,446	\$ 2,563,261	\$ 682,942	\$ 268,766	\$ 75,224	\$ 451,816	\$ 4,627,455
State Sources	693,905					74,629	768,534
Federal Sources							
Interdistrict Sources							
Total Revenues	1,279,351	2,563,261	682,942	268,766	75,224	526,445	5,395,989
Expenditures							
Office Staff and Expenses	292,682						292,682
Supporting Services	953,381				21,139		974,520
Senior Center	89,860						89,860
Public Safety		989,826	541,133				1,530,959
Public Works						158,087	158,087
Recreation and Culture					2,500	294,959	297,459
Debt Service				268,875		57,955	326,830
Operating Expense							
Total Expenditures	1,335,923	989,826	541,133	268,875	23,639	511,001	3,670,397
Excess (Deficiency) of Revenues Over Expenditures	(56,572)	1,573,435	141,809	(109)	51,585	15,444	1,725,592
Other Financing Sources (Uses)							
Operating Transfers In	400,364		58,875			34,922	494,161
Proceeds from State Bond Loan	(93,796)	(400,364)					(494,160)
Operating Transfers Out	306,568	(400,364)	58,875	-	-	34,922	1
Total Other Financing Sources (Used)	249,996	1,173,071	200,684	(109)	51,585	50,366	1,725,593
Net Change in Fund Balances	799,183	(1,092,856)	(131,003)	109	184,381	246,301	6,115
Fund Balance Beginning of Year	\$ 1,049,179	\$ 80,215	\$ 69,681	\$ -	\$ 235,966	\$ 296,667	\$ 1,731,708
Fund Balance End of Year							

See accompanying notes and accountant's report

CHARTER TOWNSHIP OF ROYAL OAK
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
December 31, 2004

Net Change in Fund Balance -Total Governmental Funds		\$ 1,725,592
Amounts reported for Governmental Activities in the Statement of Activities are different because		
Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as Depreciation		
Depreciation Expense	\$ (95,581)	
Capital Outlay	<u>12,914</u>	
		(82,667)
Accrued Interest is recorded in the Statement of Activities when incurred; it is not reported in Governmental Funds until paid		3,239
Repayment of Bond Principal is an Expenditure in the Governmental Fund, but not in the Statement of Activities (where it reduces Long-Term Debt)		276,423
Increases in Compensated Absences are reported as Expenditures when Financial Resources are used in the Governmental Funds		-
Change in Net Assets of Governmental Activities		<u><u>\$ 1,922,587</u></u>

See accompanying notes and accountant's report

CHARTER TOWNSHIP OF ROYAL OAK
COMBINED STATEMENT OF REVENUE AND EXPENSES
PROPRIETARY FUND
For the Year Ended December 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Revenue:			
Sewer Charges	\$ 724,782	\$ 662,069	\$ 1,386,851
Penalties	44,315	25,836	70,151
Permits	3,706	450	4,156
Other Revenue	4,622	3,885	8,507
	<u>777,425</u>	<u>692,240</u>	<u>1,469,665</u>
Total Revenue			
Operating Expenses:			
Cost of Services	619,699	598,967	1,218,666
Installation/Inspection Cost	3,608	3,140	6,748
Operation & Maintenance Cost	74,536	30,140	104,676
General & Administration	39,185	36,558	75,743
Meter Replacement Cost	-	-	-
	<u>737,028</u>	<u>668,805</u>	<u>1,405,833</u>
Total Operating Expenses			
Net Operating Income	40,397	23,435	63,832
Non-Operating Transactions			
Transfer to and from Reserves	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>\$ 40,397</u>	<u>\$ 23,435</u>	<u>\$ 63,832</u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 63,832
Change in Current Assets and Liabilities	
Increase in Accounts Receivable	(63,832)
Net Cash Provided by Operating Activities	\$ -

CASH FLOWS FROM FINANCING ACTIVITIES

Transfer to Reserves from Restricted	
Retained Earnings	
Net Cash Used by Financing Activities	\$ -

**NET INCREASE IN CASH AND
CASH EQUIVALENTS**

CASH AND CASH EQUIVALENTS

Beginning of Year

CASH AND CASH EQUIVALENTS

End of Year	\$ -
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See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2004**

ASSETS

Current Assets

Cash and cash equivalents	\$ 330,383
Due from Other Funds	42,100

Total Assets

<u>\$ 372,483</u>

LIABILITIES

Current Liabilities

Escrow Deposits	\$ 365,514
Due to Other Governmental Units	16

Total Current Liabilities

<u>\$ 365,530</u>

See accompanying notes and accountant's report

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 1- SUMMARY OF SIGMFICANT ACCOUNTING POLICIES:

The financial statements of the Township of Royal Oak, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Royal Oak.

REPORTING ENTITY - The Township was organized as a charter township in 1974 and is located in southern Oakland County. A Supervisor and a Board of Trustees govern the Township. The Supervisor is the chief administrative and executive office of the Township and is elected at large for a two-year term in a non-partisan election and has voting power. The Board consists of four trustees, a clerk, and a treasurer who are also elected at large for four-year terms, in a non-partisan election. The reporting entities included in these financial statements are the Township of Royal Oak, the primary government and the Downtown Development Authority.

The basic criterion for including a potential component unit in the reporting entity is the governing body's ability to exercise oversight responsibility. Oversight responsibility includes the primary government being financially accountable for the potential component unit. Other oversight responsibilities include, but are not limited to, the selection of the governing authority, the designation of management, the ability to approve or modify the budget, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities.

BLENDED COMPONENT UNITS - These types of component units are reported as though they were part of the primary government, using the blended method.

The intended purpose of the Downtown Development Authority (DDA) is to implement improvements to public facilities within the development area to comply with barrier free design requirements and to develop and implement long-range plans designed to halt the deterioration of the property values in the Downtown District. Funding for DDA is provided from the increased property tax revenues from any benefited property.

Separate financial statements of the DDA may be obtained from the Township offices.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT

PRESENTATION - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, sale of naming rights, intergovernmental revenues, and investment income.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

FUND TYPES AND MAJOR FUNDS

The Township reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Police Fund - Special Revenue Fund used to levy and collect taxes for the operation of the Police department.

Fire Fund - Special Revenue Fund used to levy and collect taxes for the operation of the Fire department.

Downtown Development Authority (DDA) - DDA is a special revenue fund created to prevent deterioration, encourage historical preservation and promote economic growth within the downtown district.

In addition the Township reports on the following fund types:

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operation of an enterprise fund.

PROPRIETARY FUND:

Water and Sewer Fund - The Water and Sewer Fund is an Enterprise Fund. The Township operates one Enterprise Fund, which accounts for the operation of the Water and Sewer Systems. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges. The fund uses full accrual accounting based on Generally Accepted Accounting Principles (GAAP) and follows accounting and financial activities prescribed by the Financial Accounting and Standards Board (FASB) as long as it does not conflict with the

Governmental Accounting Standards Board (GASB) guidance.

FIDUCIARY FUNDS:

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Any residual balances outstanding between the governmental and business-type activities with fiduciary funds are reported in the government-wide financial statements as "due to other units."

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	37 years
Equipment	5 to 7 years
Furniture	5 to 7 years
Vehicles	7 years
Infrastructure	50 years

Compensated Absences (Vacation and Sick Leave) - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Property Taxes - All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes attach as an enforceable lien on property as of December 31 each year. Township taxes are levied and immediately due the following December 1 with final collection date March 31 without penalty. Taxes unpaid after March 31 are subject to interest, penalties and collection fees. Oakland

County, Michigan (the "County") is responsible for the collection of real property taxes of the Township which are delinquent as of March 31 of each fiscal year. The County purchases from the Township all delinquent real property taxes from a tax payment fund established by the County. In return, the Township has assigned to the County all amounts payable to the Township from the taxpayers with respect to such delinquent real property taxes.

NOTE 2 - MATERIAL VIOLATIONS OF LEGAL PROVISIONS

Deficit Fund Balances

As of December 31, 2004, no fund has a material deficit.

Budget

State Law requires the adoption of a balanced budget for the General, Special Revenue and Debt Service Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding the amount appropriated. The Township adopts their budget by department and the following is a list of departments that over expended the budget:

Several departments in the general fund over expended the budgeted amounts. See page 35. As shown on page 46, the special revenue funds did have any expenditure in excess of the budgeted amount.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 3 - BALANCE SHEET CASH AND INTEREST-BEARING DEPOSITS

At December 31, 2004, the carrying value of the Township's cash was \$2,093,397. Of the bank balance, \$1,061,417 was covered by federal depository insurance and \$1,031,980 was uninsured.

	<u>Carrying Amount</u>
General Fund	\$ 1,321,775
Special Revenue	272,952
Debt Service Funds	42
Downtown Development	168,245
Trust and Agency Fund	330,383
	2,093,397
Uninsured	<u>1,031,980</u>
Total Insured and Collateralized Deposits	<u>\$ 1,061,417</u>

NOTE 4 - INTERFUND RECEIVABLE AND PAYABLES

The amounts of interfund receivable and payables, including interfund loans, are as follows:

	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ 372,864
Police	45,729	
Recreation	37,799	
Street Lighting	53,786	
Disposal	75,462	
Library	1,100	
DDA	69,630	
Trust & Agency	59,975	
Cop Grant		3,000
Payroll		30
Current Tax Collection		17,845
Fire	<u>50,258</u>	<u>-</u>
Total	<u>\$ 393,739</u>	<u>\$ 393,739</u>

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 5 - DOWNTOWN DEVELOPMENT AUTHORITY

In March 1992, the Township established a Downtown Development Authority for commercial development within the Township. The Authority was established under Public Act 197, of 1975, in which taxes recaptured will be used for commercial development.

NOTE 6 - GENERAL LONG-TERM DEBT ACCOUNT GROUP

Notes Payable represents the amount due on the purchase of a fire truck. The installment note is a 7.5% interest rate and the monthly payment is \$2,115. The balance due on this note payable is \$58,790.

The Judgment Payable in the amount of \$794,262 is made up of two items. The first is a judgment entered against the Township in favor of Mr. Jacoboni. This judgment required the Township to levy millage which would payoff the judgment in five years. The balance due on this judgment at December 31, 2004 is \$333,033. The second judgment was in favor of the U.S. Justice Department. The Township is required to pay back \$156,914 of previously received COPS Grant monies. The amount due is payable in installments of \$28,966 per year, including interest at 3%. The balance due on this judgment at December 31, 2004 is \$45,883.

The Township is part of the George W. Kuhn drainage District of Oakland County. Oakland County has five outstanding bond issues, which the township is responsible for 1.2126% of the principal and interest payments. The Townships total share of the bond issues at December 31, 2004 is \$1,422,127.

In April of 2001, the Township lost a decision in front of the Employment Relations Commission of the state of Michigan. Part of this judgment required the Township to pay the firefighters retroactive pay. As of December 31, 2004, the amount is undetermined and in dispute; therefore, no provision has been recorded in the long-term debt fund.

The Judgment for Mr. Jacoboni, the judgment for the U.S. Justice Department, and the County drain balances are shown net of Oak Park's portion due to the annexation.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM

Plan Description

Royal Oak Township participates in an agent multi-employer defined benefit pension plan with the Municipal Employee Retirement System (MERS), administered by the State of Michigan.

The MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12a) as amended. The MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Summary of Plan Provisions

The benefits summarized in this section are intended only as general information regarding the Michigan Municipal Employees Retirement System. They are not a substitute for Act

No. 220 of the Public Acts of 1996, as amended. If any conflict occurs between the information in this summary and Act No. 220 of the Public Acts of 1996, as amended, the provisions of Act No. 220 govern.

Eligibility for Retirement

Age 60 or 10 or more years of credited service (reduced to 8 or 6 years if either Benefit V-8 or V-6, respectively, is adopted).

Age 55 or 15 or more years of credited service (reduced benefit unless Benefit F55 is adopted).

Age 50 and 25 or more years of credited service (reduced benefit unless Benefit F50 is adopted).

Optional Retirement Programs (Unreduced Benefits)

- F50 - Age 50 with a required period of credited service of either 25 or 30 years
- F55 - Age 55 with a required period of credited service of 15, 20, 25 or 30 years
- F (N) - Any age with a required period of credited service of either 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 or 30 years

Mandatory Retirement

None.

Deferred Retirement

Termination of membership before age 60 other than by retirement or death, after 10 years of credited service (8 or 6 years if Benefit V-8 or V-6 is adopted). Retirement allowance begins upon application and satisfaction of the eligibility requirements for retirement. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the benefit program in effect as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Service Retirement Allowance

Credited service at time of termination of membership is multiplied by:

Benefit A	1.0% of a member's 5-years final average compensation (FAC). Benefit A may not be adopted after January 2, 1986.
Benefit B	Contact MERS office for details. Benefit B may not be adopted after January 2, 1986.
Benefit C New	1.3% of FAC.
Benefit C Old	Sum of 1.0% times the first \$4,200 of FAC, plus 1.5% times the portion of FAC over \$4,200. Benefit C Old may not be adopted after January 2, 1986.
Benefit C-1 New	1.5% of FAC.
Benefit C-1 Old	Sum of 1.2% times the First \$4,200 of FAC, plus 1.7% times the portion of FAC over \$4,200. Benefit C-1 Old may not be adopted after January 2, 1986.
Benefit B-1	1.7% of FAC.
Benefit C-2	2.0% of FAC, payable until attainment of the age at which unreduced Social Security benefits are available (currently age 65 for normal retirement, gradually increasing to age 67). Upon attainment of this age, the benefit reverts to the basic Benefit A, C New, C Old, C-1 New, C-1 Old or B-1.
Benefit B-2	2.0% of FAC.
Benefit B-3	2.25% of FAC, with a maximum benefit of 80% of FAC.
Benefit B-4	2.5% of FAC, with a maximum benefit of 80% of FAC.

Final Average Compensation

MERS plan benefits are based on a member's final average compensation (FAC). For this purpose, final average compensation means one-fifth of the aggregate amount of compensation paid a member during the period of 5 consecutive years of the member's credited service in which the aggregate compensation paid is highest, known as FAC-5. Adoption of Benefit FAC-3 results in final average compensation being averaged over 3 years, instead of 5 years.

The retirement allowance is reduced $\frac{1}{2}$ of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The reduction may be partially or fully waived by adopting Benefit F55 and/or F50 and/or F(N).

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Disability Retirement Allowance

The plan provides for coverage upon total and permanent disability while employed by a participating municipality and after meeting the vesting requirement of the benefit program. The service requirement is waived if the disability is due to service-connected causes.

The allowance is computed in the same manner as a service retirement allowance, except that the reduction for retirement before age 60 is not applied.

If disability is due to service-connected causes, the amount of the retirement allowance shall not be less than 25% of the member's final average compensation.

Adoption of optional Benefit Program D-2 will provide a retirement allowance for a service-connected disability that is the greater of:

- (i) 25% of the member's final average compensation; or
- (ii) 10 years of credited service in addition to the member's actual period of service provided the total years of service do not exceed the greater of 30 years or the member's actual period of service.

Non-Duty Death Allowance

If a member or vested former member with the minimum years of service required to be vested dies before retirement, a monthly survivor allowance may be payable.

If a member is married, the spouse is the automatic beneficiary unless the spouse, in writing, declines a benefit in favor of another named beneficiary.

A contingent survivor beneficiary (named in an Option II Contingent Beneficiary Designation form filed with MERS) will receive a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. The reduction for retirement before age 60 is not applied.

If there is no named beneficiary and the member leaves a spouse, the spouse will receive a survivor allowance. Payment of a retirement allowance to the surviving spouse of a deceased member commences immediately. Payment of a retirement allowance to the surviving spouse of a deceased vested former member commences on the date the member would have first satisfied eligibility for retirement for an unreduced service retirement allowance. The amount of a surviving spouse's retirement allowance shall be 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under age 21 will be paid an equal share of 50% of the deceased member's or deceased vested former member's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

If no retirement allowance becomes payable at death, the member's accumulated contributions are paid to the beneficiary.

Duty-Connected Death

A duty death allowance computed in the same manner as a non-duty death allowance may be payable to a spouse or children if death occurs as a result of performance of duty with a participating municipality. The vesting requirement is waived, and the minimum benefit is 25% of the deceased member's final average compensation.

Adoption of optional Benefit Program D-2 will provide a retirement allowance for a service-connected death that is the greater of:

- (i) 25% of the member's final average compensation; or
- (ii) 10 years of credited service in addition to the member's actual period of service provided the total years of service do not exceed the greater of 30 years or the member's actual period of service.

Member Contributions

Each member contributes a percent of annual compensation, as selected by the municipality. Any percentage from 0% to 10% (in 0.1% increments) may be selected. A 3%/5% contribution program was available prior to 1985 and may be continued, but not adopted after 1984. Under this program the member contributes 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

If a member leaves the employment of the municipality, or dies, without a retirement allowance or other benefit payable on his account, the member's accumulated contributions plus interest (at a rate determined by MERS) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any or to a named beneficiary (after spousal consent, if applicable).

Post-Retirement Adjustments

Benefit E – provides a one-time benefit increase to present to retirants and beneficiaries. The amount of the increase is equal to a fixed percentage of the present benefit or a fixed

dollar amount times the number of years since the later of retirement or the date specified in the resolution. Benefit E may be readopted from time to time.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Benefit E-1 - provides automatic 2.5% annual non-compounded benefit increases to persons (and their beneficiaries) retired before the effective date of Benefit E-1. Increases are limited to increases in the consumer price index.

Benefit E-2 - provides automatic 2.5% annual non-compounded benefit increases to persons (and their beneficiaries) retired on or after the effective date of Benefit E-2. Increases are limited to increases in the consumer price index.

Death-After-Retirement Surviving Spouse Benefit

A retiring member electing form of payment SL (straight life retirement allowance) is normally paid a lifetime retirement allowance, with payments terminating at death. The retiring member could provide benefits to a surviving spouse by electing Option II (100% continuation to beneficiary) or Option II-A (75% continuation to beneficiary) or Option III (50% continuation to beneficiary). A surviving spouse is automatically the beneficiary to an Option II, IIA or III allowance unless the spouse, in writing, relinquishes the benefit to the member electing a straight life allowance or to another named beneficiary. Electing these alternate forms of payment would lower the retiring member's retirement allowance.

If Benefit Program RS50% is adopted, a member retiring on or after the effective date of Benefit RS50% may elect form of payment SL and still provide a 50% survivor benefit to the member's spouse. To be eligible for a surviving spouse benefit the retiring member and spouse must have been married to each other both at the time of death and during the full one year period just before retirement.

GASB 25 and GASB 27 Information

The annual report is available at the Township Hall.

NOTE 10 - IMPLEMENTATION OF THE LOCAL GOVERNMENT FISCAL RESPONSIBILITY ACT

On March 22, 1989, the State Treasurer implemented the preliminary review provisions of the Local Government Fiscal Responsibility Act. On April 18, 1989, the State Treasurer made his report to the Governor, finding that a serious financial problem may exist in the Township. On July 14, 1989, the Governor appointed a review team for the Township. On September 14, 1989, the Township entered a Consent Agreement with the review team.

That agreement calls for a Financial Manager with specified duties including the development of a financial plan.

On June 21, 1990, the Township Board adopted the financial plan, which was approved by the Department of Treasury in May 1990. Certain major provisions of the plan have not been implemented as of the date of the auditor's report.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 11 - COMMUNITY DEVELOPMENT BLOCK GRANT

The Township receives an allocation of funds from the Federal Government under the Community Development Block Grant. The funds are dispersed from the Federal Government to Oakland County. Oakland County in turn monitors and disperses these funds on a cost reimbursement basis to individual vendors or contractors. The purpose of this grant is to enforce Township ordinances, condemnation/demolition, disposition, public services, planning and development, and contingencies. The Township's allocation for 2004 amounted to \$69,877, which is below the requirements of the \$300,000 Single Audit Act.

NOTE 12 - DEFERRED COMPENSATION

The Township does not participate in a deferred compensation plan. However, the employees of the Township have elected to participate in their own plan through payroll deductions.

NOTE 13 - POST-EMPLOYMENT BENEFITS

The Township provides health care benefits to retirees. The benefits are paid monthly from the General Fund. The total cost to the Township for health care benefits for the year ended December 31, 2004 was \$169,166.

NOTE 14 - OTHER MATTERS

During the year part of the Township was annexed by the Township of Oak Park. The Township and the Township of Oak Park are negotiating the division of assets and liabilities relating to this annexation.

NOTE 15 - TAXES RECEIVABLE AND DEFERRED REVENUE

There are no delinquent taxes as of December 31, 2004. The Township records deferred revenue for property taxes billed as of December 1 that are to be used in the next year's budget. Taxes receivable and deferred revenues represents the tax levy as of December 1, 2004 that will be used for the 2005 budget.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 16- CAPITAL ASSETS

The Township investment in capital assets for its governmental activities as of December 31, 2004 amounts to \$1,678,354 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total decrease in the Township's net investment in capital assets for the current fiscal year was \$53,732.

NET CAPITAL ASSETS AT YEAR END
(in thousands of dollars)

	Governmental <u>2003</u>	Activities <u>2004</u>
Capital Assets Not Depreciated:		
Land	\$ 240,000	\$ 240,000
Unallocated	982	982
Capital Assets Being Depreciated:		
Computers	25,020	24,054
Equipment	382	1,167
Infrastructure	1,343,251	1,272,901
Landscaping Equipment	350	175
Office Furniture	101	1,647
Vehicles	<u>122,000</u>	<u>137,429</u>
Net Capital Assets	<u>\$1,732,086</u>	<u>\$1,678,354</u>

CHARTER TOWNSHIP OF ROYAL OAK
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Budgetary Basis Actual	Favorable (Unfavorable) Final Budget
	Original	Final		
Revenues				
Local Sources				
State Sources	\$ 736,947	\$ 736,947	\$ 585,446	\$ (151,501)
Federal Sources	753,577	753,577	693,905	(59,672)
Interdistrict Sources				
Total Revenues	<u>1,490,524</u>	<u>1,490,524</u>	<u>1,279,351</u>	<u>(211,173)</u>
Expenditures				
Trustees	11,765	11,765	31,281	(19,516)
Supervisor	26,662	26,662	38,995	(12,333)
Finance Department	74,941	74,941	81,263	(6,322)
Election	18,165	18,165	12,216	5,949
General Administrative	465,600	465,600	736,769	(271,169)
Clerk Department	52,830	52,830	67,075	(14,245)
Treasurer	62,135	62,135	74,068	(11,933)
Building & Grounds	118,891	118,891	129,807	(10,916)
Community Development	64,760	64,760	57,200	7,560
Inspection	43,700	43,700	17,389	26,311
CDBG Grant	40,417	40,417		40,417
Senior Center	129,282	129,282	89,860	39,422
Total Expenditures	<u>1,109,148</u>	<u>1,109,148</u>	<u>1,335,923</u>	<u>(226,775)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>381,376</u>	<u>381,376</u>	<u>(56,572)</u>	<u>(437,948)</u>
Other Financing Sources (Uses)				
Operating Transfers In			446,072	
Operating Transfers Out	(238,500)	(238,500)	(93,796)	144,704
Total Other Financing Sources (Used)	<u>(238,500)</u>	<u>(238,500)</u>	<u>352,276</u>	<u>144,704</u>
Excess (Deficiency) of Revenues Over Expenditures	142,876	142,876	295,704	(293,244)
Budgetary Fund Balance Beginning of Year			799,183	
Budgetary Fund Balance End of Year	<u>\$ 142,876</u>	<u>\$ 142,876</u>	<u>\$ 1,094,887</u>	<u>\$ (293,244)</u>

**CHARTER TOWNSHIP OF ROYAL OAK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004**

	Special Revenue Funds					Debt Service Fund	Nonmajor Governmental Funds
	Street		Disposal	Community			
	Recreation	Lighting	System	Library	Dev-BG	Cops Grant	Total
ASSETS							
Cash and Cash Equivalents	\$ 16,043	\$ 59,006	\$ 7,296	\$ 68,845	\$ -	\$ 42	\$ 151,232
Taxes Receivable	117,723	34,135	106,671	66,535			325,064
Due from Other Funds	37,799	53,786	75,461	1,100			168,146
Inventories							
Total Assets	<u>\$ 171,565</u>	<u>\$ 146,927</u>	<u>\$ 189,428</u>	<u>\$ 136,480</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 644,442</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts Payables	\$ 8,081	\$ 3,901	\$ 6,514	\$ 1,215	\$ -	\$ -	\$ 19,711
Deferred Revenue	117,723	34,135	106,671	66,535			325,064
Due to Other Funds						3,000	3,000
Total Liabilities	<u>125,804</u>	<u>38,036</u>	<u>113,185</u>	<u>67,750</u>	<u>-</u>	<u>3,000</u>	<u>347,775</u>
FUND BALANCE							
Restricted for Debt Service							
Restricted for Capital Improvements						(2,958)	296,667
Unreserved and Undesignated						(2,958)	296,667
Total Fund Balance	<u>45,761</u>	<u>108,891</u>	<u>76,243</u>	<u>68,730</u>	<u>-</u>	<u>(2,958)</u>	<u>296,667</u>
Total Liabilities and Fund Balance	<u>\$ 171,565</u>	<u>\$ 146,927</u>	<u>\$ 189,428</u>	<u>\$ 136,480</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 644,442</u>

CHARTER TOWNSHIP OF ROYAL OAK
COMBINING STATEMENT OF REVENUE AND EXPENDITURES AND CHANGE IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004

	Special Revenue Funds				Debt Service Fund	Nonmajor Governmental Funds
	Recreation	Street Lighting	Disposal System	Library	Community Dev-BG	Total
REVENUES						
Local Sources	\$ 166,130	\$ 44,726	\$ 139,681	\$ 101,278	\$ -	\$ 451,816
State Sources				4,752	69,877	74,629
Federal Sources						-
Total Revenues	<u>166,130</u>	<u>44,726</u>	<u>139,681</u>	<u>106,030</u>	<u>69,877</u>	<u>526,445</u>
EXPENDITURES						
Current Operations						
Public Works		45,368	112,719			158,087
Recreation and Culture	120,868			104,214	69,877	294,959
Debt Service					57,955	57,955
Total Expenses	<u>120,868</u>	<u>45,368</u>	<u>112,719</u>	<u>104,214</u>	<u>57,955</u>	<u>511,001</u>
Excess (Deficiency) of Revenues Over Expenditures	45,262	(642)	26,962	1,816	(57,954)	15,444
Other Financing Sources (Uses)						
Operating Transfers In	3,000				31,922	34,922
Operating Transfers Out						-
Total Other Financing Sources (Used)	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,922</u>	<u>34,922</u>
Net Change in Fund Balances	48,262	(642)	26,962	1,816	(26,032)	50,366
Fund Balance Beginning of Year	(2,501)	109,533	49,281	66,914	23,074	246,301
Fund Balance End of Year	<u>\$ 45,761</u>	<u>\$ 108,891</u>	<u>\$ 76,243</u>	<u>\$ 68,730</u>	<u>\$ (2,958)</u>	<u>\$ 296,667</u>

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF REVENUES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2004

	Budget	Actual	Favorable (Unfavorable)
TAXES			
Current Taxes	\$ 297,421	\$ 263,158	(34,263)
Payment In Lieu of Taxes	6,605		(6,605)
Administration Fee - Tax	9,000	49,944	40,944
	<u>313,026</u>	<u>313,101</u>	<u>75</u>
GENERAL OPERATIONS			
Cable TV Fee	21,000	22,745	1,745
Business License	2,100	10,913	8,813
Fines and Forfeits		300	300
Rental Registration	1,500		(1,500)
Interest Income	6,000	2,841	(3,159)
Rental Income	4,000	5,675	1,675
Oakland County		75,603	75,603
CDBG Funds	40,917		(40,917)
DDA Commitment	50,000		(50,000)
Land Sales	100,000	25,330	(74,670)
Other Revenues		35,348	35,348
Miscellaneous - Deposit/Refund		1,503	1,503
Dog License	20	86	66
	<u>225,537</u>	<u>180,342</u>	<u>(45,195)</u>
BUILDING			
Registration/Contractor License	300	1,517	1,217
Plumbing Permits	2,500	1,293	(1,207)
Electrical Permits	7,500	3,899	(3,601)
Building Permits	27,285	15,205	(12,080)
Mechanical Permits	4,000	10,157	6,157
Annual Inspection Fees	20,000	5,600	(14,400)
Rental Inspection Fees	1,500		(1,500)
Landlord Inspection Fees		3,950	3,950
Planning Commission Fees			
Zoning Board Fee	400	120	(280)
Site Plan Review Fee	450	881	431
Four In One - Inspection	800	824	24
	<u>\$ 64,735</u>	<u>\$ 43,446</u>	<u>\$ (21,289)</u>

GENERAL FUND STATEMENT OF REVENUES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2004

	Budget	Actual	Favorable (Unfavorable)
SENIOR CENTER	\$ 133,649	\$ 48,556	\$ (85,093)
STATE SHARED			
State Rev. Sh- Sales Tax	366,206	335,004	(31,202)
State Rev. Sh- Income Tax	387,371	358,901	(28,470)
Total State Shared Revenue	753,577	693,905	(59,672)
TRANSFERS	-	400,364	400,364
Total Revenue	\$ 1,490,524	\$ 1,679,715	\$ 189,191

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF EXPENDITURES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
TRUSTEES			
Per Diem - Township Board	\$ 10,000	\$ 29,000	\$ (19,000)
Payroll Taxes	765	2,219	(1,454)
Unemployment Compensation		62	(62)
Conferences	1,000		1,000
	<u>11,765</u>	<u>31,281</u>	<u>(19,516)</u>
SUPERVISOR			
Salary - Supervisor	20,000	36,058	(16,058)
Payroll Taxes	1,530	2,759	(1,229)
Conferences	500	178	322
Office Supplies	500		500
Per Diem Supervisor	500		500
Assessing	2,132		2,132
Membership Dues	1,500		1,500
	<u>26,662</u>	<u>38,995</u>	<u>(12,333)</u>
FINANCE DEPARTMENT			
Financial Consultant	21,339	24,252	(2,913)
Salary - Clerk - Typist			
Accountant			
Payroll Taxes	3,701	3,617	84
Unemployment Compensation	285		285
Administrative Assistance	27,040	30,835	(3,795)
Salaries - Overtime		11	(11)
Hospitalization	20,500		20,500
Employee Insurance	2,076	22,548	(20,472)
	<u>\$ 74,941</u>	<u>\$ 81,263</u>	<u>\$ (6,322)</u>

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF EXPENDITURES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2004

	Budget	Actual	Favorable (Unfavorable)
ELECTION			
Per-Diem Election	\$ 15,000	\$ 7,796	\$ 7,204
Overtime		666	(666)
Payroll Taxes	765	135	630
Operating Supplies		1,814	(1,814)
Printing and Publishing	400	1,730	(1,330)
Transportation	1,000		1,000
Professional & Contract Services	1,000	75	925
	<u>18,165</u>	<u>12,216</u>	<u>5,949</u>
GENERAL ADMINISTRATIVE			
Employee Insurance			
Retirees Insurance	92,571	89,458	3,113
Life Insurance		799	(799)
Equipment		4,022	(4,022)
Worker's Compensation	14,510	7,842	6,668
Medical Examinations	100		100
Hospitalization		(653)	653
Office Supplies and Expense	12,500	9,431	3,069
Operating Supplies and Expense	75,000	94,429	(19,429)
Membership Dues		2,740	(2,740)
Settlement		24,917	(24,917)
Contractual Services		2,400	(2,400)
Telephone	17,500	25,480	(7,980)
Printing and Publishing	5,000	9,252	(4,252)
Insurance and Bonds	36,276	21,446	14,830
Electricity	10,000	6,183	3,817
Heating	7,500	15,547	(8,047)
Water Charges	7,500		7,500
Repairs and Maintenance	6,000	5,923	77
Miscellaneous	2,500	8,790	(6,290)
Computer Expense	6,000	6,183	(183)
Training/Education	1,000	1,600	(600)
Tax Refunds		5,115	(5,115)
Capital Outlay			
Drain Debt		110,867	(110,867)
	<u>\$ 293,957</u>	<u>\$ 451,772</u>	<u>\$ (157,815)</u>
GENERAL ADMINISTRATIVE			
ATTORNEY FEES			
Contractual Services		2,217	(2,217)
Financial Analyst	19,200	35,038	(15,838)
Financial Services	9,600	9,600	
Attorney Fees	140,000	220,643	(80,643)
Audit	2,843	17,500	(14,657)
Assessing Fees			
	<u>\$ 171,643</u>	<u>\$ 284,997</u>	<u>\$ (113,354)</u>

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF EXPENDITURES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2004

	Budget	Actual	Favorable (Unfavorable)
CLERK DEPARTMENT			
Salary - Clerk	\$ 8,000	\$ 17,192	\$ (9,192)
Salary - Deputy Clerk	25,662	30,234	(4,572)
Salaries - Overtime	500	33	467
Payroll Taxes	2,575	3,919	(1,344)
Unemployment Compensation	143		143
Hospitalization	14,500	14,814	(314)
Employee Insurance	1,150	889	261
Conferences		(201)	201
Membership Dues	300	195	105
	<u>52,830</u>	<u>67,075</u>	<u>(14,245)</u>
TREASURER			
Salary - Treasurer	14,000	23,423	(9,423)
Salary - Deputy Treasurer	24,460	27,185	(2,725)
Payroll Taxes	2,942	3,707	(765)
Unemployment Compensation	143	557	(414)
Hospitalization	18,650	18,231	419
Employee Insurance	1,440	966	474
Office Supplies	500		500
	<u>62,135</u>	<u>74,068</u>	<u>(11,933)</u>
BUILDING & GROUNDS			
Salary	48,986	58,068	(9,082)
Overtime	1,000	5	995
Payroll Taxes	3,747	4,289	(542)
Hospitalization			
Life Insurance			
Unemployment Compensation	428	828	(400)
Other Fringe Benefits		2,672	(2,672)
Hospitalization	18,500	18,413	87
Employee Insurance	2,230	1,458	772
Operating Supplies and Expense	8,000	5,771	2,229
Gasoline		789	(789)
Repairs and Maintenance	1,500	4,576	(3,076)
Equipment Maintenance	5,500	6,424	(924)
Rental Alarm	4,000	7,726	(3,726)
Equipment	25,000	18,788	6,212
	<u>\$ 118,891</u>	<u>\$ 129,807</u>	<u>\$ (10,916)</u>

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF EXPENDITURES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
COMMUNITY DEVELOPMENT			
Code Enforcement Officer	38,480	40,399	(1,919)
Payroll Taxes	2,944	2,881	63
Unemployment Compensation	285	714	(429)
Hospitalization	8,275	7,956	319
Employee Insurance	1,276	924	352
Electricity		389	(389)
Beautification	500	3,731	(3,231)
Contractual Services/Legal		206	(206)
Maintenance Renovations	13,000		13,000
TOTAL ADDED NEEDS	<u>64,760</u>	<u>57,200</u>	<u>7,560</u>
INSPECTION			
Inspection	40,000	16,996	23,004
	700	105	595
Miscellaneous Expense	3,000	288	2,712
TOTAL INSTRUCTIONAL SERVICES	<u>43,700</u>	<u>17,389</u>	<u>26,311</u>
CDBG GRANT			
Planning	10,000		10,000
Community Center	10,000		10,000
Condemnation/Demolition			
Code Enforcement	10,000		10,000
Public Safety Transportation	10,000		10,000
Public Service - CDBG	417		417
TOTAL SUPPORTING SERVICES	<u>40,417</u>	<u>-</u>	<u>40,417</u>
SENIOR CENTER	<u>129,282</u>	<u>89,860</u>	<u>39,422</u>
TRANSFERS	<u>238,500</u>	<u>93,796</u>	<u>144,704</u>
TOTAL EXPENDITURES	<u><u>\$ 1,347,648</u></u>	<u><u>\$ 1,429,719</u></u>	<u><u>\$ (82,071)</u></u>

CHARTER TOWNSHIP OF ROYAL OAK
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2004

ASSETS	Police	Fire	Recreation	Street Lighting	Disposal System	Library	Community Development Block Grant	Combined Total
Cash	\$ 97,117	\$ 24,645	16,043	59,006	7,296	68,845		272,952
Taxes Receivable	597,360	512,023	117,723	34,135	106,671	66,535		1,434,447
Accounts Receivable	2,167							2,167
Due from Other Funds	45,729	50,258	37,799	53,786	75,461	1,100		264,133
Inventory								
TOTAL ASSETS	\$ 742,373	\$ 586,926	\$ 171,565	\$ 146,927	\$ 189,428	\$ 136,480	\$ -	\$ 1,973,699
LIABILITIES AND FUND EQUITY								
LIABILITIES								
Accounts Payable	\$ 64,798	5,222	8,081	3,901	6,514	1,215		89,731
Deferred Revenues	597,360	512,023	117,723	34,135	106,671	66,535		1,434,447
TOTAL LIABILITIES	\$ 662,158	\$ 517,245	\$ 125,804	\$ 38,036	\$ 113,185	\$ 67,750	\$ -	\$ 1,524,178
FUND EQUITY								
Fund Balances	80,215	69,681	45,761	108,891	76,243	68,730		449,521
TOTAL LIABILITIES AND FUND EQUITY	\$ 742,373	\$ 586,926	\$ 171,565	\$ 146,927	\$ 189,428	\$ 136,480	\$ -	\$ 1,973,699

CHARTER TOWNSHIP OF ROYAL OAK
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
December 31, 2004

REVENUES	Police	Fire	Recreation	Street Lighting	Disposal System	Library	Community Development Block Grant	Combined Total
Local Sources								
Taxes								
Other Local Sources	\$ 779,166	\$ 667,857	\$ 156,143	\$ 44,524	\$ 139,192	\$ 89,088	\$ -	\$ 1,875,970
State Sources	1,784,095	15,085	9,987	202	489	12,190		1,822,048
State Aid and Grants								
TOTAL REVENUES	2,563,261	682,942	166,130	44,726	139,681	106,030	69,877	3,772,647
EXPENDITURES								
Public Safety	989,826	541,133						1,530,959
Public Works				45,368	112,719			158,087
Recreation and Culture			120,868			104,214	69,877	294,959
TOTAL EXPENDITURES	989,826	541,133	120,868	45,368	112,719	104,214	69,877	1,984,005
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,573,435	141,809	45,262	(642)	26,962	1,816		1,788,642
Other Financing Sources								
Interfund Transfers	(400,364)	58,875	3,000					(338,489)
Fund Balance, January 1, 2004	(1,092,856)	(131,003)	(2,501)	109,533	49,281	66,914		(1,000,632)
Fund Balance, December 31, 2004	\$ 80,215	\$ 69,681	\$ 45,761	\$ 108,891	\$ 76,243	\$ 68,730	\$ -	\$ 449,521

CHARTER TOWNSHIP OF ROYAL OAK
COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL - SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2004

	Special Revenue Funds		
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Local Sources			
Taxes	\$ 2,037,244	\$ 1,875,970	\$ (161,274)
Other Local Sources	110,288	1,822,048	1,711,760
State Sources			
State Aid and Grants	4,700	74,629	69,929
Federal Sources			
TOTAL REVENUES	2,152,232	3,772,647	1,620,415
EXPENDITURES			
Public Safety	1,592,551	1,530,959	61,592
Public Works	181,850	158,087	23,763
Recreation and Culture	554,846	294,959	259,887
TOTAL EXPENDITURES	2,329,247	1,984,005	345,242
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(177,015)	1,788,642	1,965,657
OTHER FINANCING SOURCES (USES)			
Operating Transfers In			
Operating Transfers Out		(338,490)	338,490
TOTAL OTHER FINANCING SOURCES (USES)	-	(338,490)	338,490
EXCESS (DEFICIT) REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (177,015)	\$ 1,450,152	\$ 2,304,147

CHARTER TOWNSHIP OF ROYAL OAK
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
December 31, 2004

	COPS Grant	Jacoboni	Total
ASSETS			
Cash	\$ 42	\$ -	\$ 42
Taxes Receivable		188,569	188,569
TOTAL ASSETS	\$ 42	\$ 188,569	\$ 188,611
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	3,000		3,000
Deferred Revenues		188,569	188,569
FUND EQUITY			
	(2,958)		(2,958)
TOTAL LIABILITIES AND FUND EQUITY	\$ 42	\$ 188,569	\$ 188,611

CHARTER TOWNSHIP OF ROYAL OAK
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2004

	COPS Grant	Jacoboni	Total
REVENUES			
Property Tax Levy	\$ -	\$ 268,695	\$ 268,695
Interest	1	71	72
Other			
TOTAL REVENUES	1	268,766	268,767
EXPENDITURES			
Principal Payments	50,722	268,859	319,581
Interest	7,200		7,200
Fees and other	33	16	49
TOTAL EXPENDITURES	57,955	268,875	326,830
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(57,954)	(109)	(58,063)
OTHER FINANCING SOURCES (USES)			
Transfers In/Out	31,922		31,922
TOTAL OTHER FINANCING SOURCES	31,922	-	31,922
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	(26,032)	(109)	(26,141)
FUND BALANCES, January 1, 2004	23,074	109	23,183
FUND BALANCES, December 31, 2004	\$ (2,958)	\$ -	\$ (2,958)

CHARTER TOWNSHIP OF ROYAL OAK
COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL - DEBT SERVICE FUNDS
For the Year Ended December 31, 2004

	Debt Retirement Funds		
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Local sources			
Taxes	\$ -	\$ 268,695	\$ 268,695
Other local sources		72	72
State sources			
State aid, unrestricted			
Restricted grants			
Federal sources			
TOTAL REVENUES	<u>-</u>	<u>268,767</u>	<u>268,767</u>
EXPENDITURES			
Principal payment		319,581	(319,581)
Interest and other		7,200	(7,200)
Payment of escrow agent			
Other payments		49	(49)
TOTAL EXPENDITURES	<u>-</u>	<u>326,830</u>	<u>(326,830)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(58,063)</u>	<u>(58,063)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from state loan			
Operating transfers in/out		31,922	31,922
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>31,922</u>	<u>31,922</u>
EXCESS (DEFICIT) REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ (26,141)</u>	<u>\$ (26,141)</u>

CHARTER TOWNSHIP OF ROYAL OAK
COMBING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2004

	Balance Jan 1, 2004	Additions	Deductions	Balance Dec. 31, 2004
TRUST AND AGENCY				
ASSETS				
Cash	\$ 315,142	\$ 1,371,848	\$ 1,374,481	\$ 312,508
Due From Other Funds	249,953	73,038	68,837	254,155
Total Assets	\$ 565,095	\$ 1,444,886	\$ 1,443,317	\$ 566,664

LIABILITIES				
Escrow Deposits	\$ 371,279	\$ 2,348,284	\$ 2,354,049	\$ 365,514
Due to Other Governmental Units	6,969			6,969
Due to Other Funds	181,914	12,488	223	194,179
Total Liabilities	\$ 560,162	\$ 2,360,772	\$ 2,354,272	\$ 566,662

PAYROLL

ASSETS				
Cash	\$ (177,234)	\$ 773,386	\$ 596,122	\$ 30
Due From Other Funds	31,309		31,309	
Total Assets	\$ (145,925)	\$ 773,386	\$ 627,431	\$ 30

LIABILITIES				
Due to Other Funds	\$ 19,748	\$ 73,882	\$ 93,599	\$ 30
Other Liabilities		49,586	49,586	
Total Liabilities	\$ 19,748	\$ 123,467	\$ 143,185	\$ 30

CHARTER TOWNSHIP OF ROYAL OAK
COMBING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2004

	Balance Jan. 1, 2004	Additions	Deductions	Balance Dec. 31, 2004
TAX COLLECTION				
ASSETS				
Cash	\$ 5,861	\$ 11,984	\$ -	\$ 17,845
Due From Other Funds	571,223		427,610	143,613
Total Assets	\$ 577,084	\$ 11,984	\$ 427,610	\$ 161,458

LIABILITIES				
Due to Other Funds	\$ 577,084	\$ -	\$ 415,626	\$ 161,458
Undistributed Tax Collections				
Total Liabilities	\$ 577,084	\$ -	\$ 415,626	\$ 161,458

COMBINED AGENCY FUNDS

ASSETS				
Cash	\$ 143,768	\$ 2,157,217	\$ 1,970,602	\$ 330,383
Due From Other Funds	852,485.61	73,038.33	527,755.97	397,768
Total Assets	\$ 996,254	\$ 2,230,256	\$ 2,498,358	\$ 728,151

LIABILITIES				
Escrow Deposits	\$ 371,279	\$ 2,348,284	\$ 2,354,049	\$ 365,514
Due to Other Governmental Units	6,969			6,969
Due to Other Funds	778,746	86,370	509,448	355,668
Total Liabilities	\$ 1,156,994	\$ 2,434,654	\$ 2,863,497	\$ 728,151

RC JONES & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

20500 Eureka, Suite 101
Taylor, Michigan 48180
(734) 284-9779
Fax: (734) 284-2237

September 13, 2005

Charter Township of Royal Oak
21075 Wyoming
Ferndale, MI 48220

Dear Supervisor and Trustees:

In planning and performing our audit of the financial statements of the Charter Township of Royal Oak for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Debt Service- Several debt service funds were established to help maintain ledgers and have revenues and expenses posted properly. However, these funds were not used during the audited year. We strongly recommend that debt service transactions be posted in the proper fund.

DDA – The general ledger maintained by the Township for the DDA was incomplete and did not contain all the transactions for the year. The accounting records that the DDA maintained were also not complete. We would strongly recommend that the accounting function for the DDA be returned to the Township.

Accounts Payable – On the general fund trial balance as presented to us at the beginning of the audit, accounts payable had a large debit balance, which is the opposite of normal, due to miss postings combined with system errors. We recommend that the recording of accounts payable through the system be discontinued and that paid invoices be charged directly to their corresponding expense.

Tax Collections – When money is withheld from tax collections or state revenue sharing the entire transaction needs to be recorded. For example, when Oakland County withheld drain payments from tax collection check, the gross amount should be charged to the revenue account. The drain payments should be charged to the expense account, and the net amount should be posted to cash.

On our initial review of the trial balances, there were several accounts that were obviously incorrect such as the large debit balance in accounts payable. We strongly recommend that transactions be reviewed monthly after cash is reconciled in order to promptly correct posting errors.

This report is intended solely for the information and use of the Charter Township of Royal Oak, its Board of Trustees, Supervisor and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

If you have any further questions regarding these comments and recommendations, please feel free to contact us.

Sincerely,

A handwritten signature in cursive script that reads "RC Jones & Co.".

RC JONES & CO.